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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

Secret

143

10 July 1967
No. 0358/67

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(3 July - 9 July 1967)

C O N T E N T S

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II

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ECONOMIC SITUATION

III

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ANNEX: Weekly Retail Prices in Saigon (table)
Saigon Free Market Gold and Currency Prices (graph)
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Saigon Cost of Living Index (graph)
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South Vietnam Foreign Exchange Reserves (graph)

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Developments in Legislative Elections

12. Sixty-four senatorial slates, including 640 candidates and 81 alternates, had been submitted to the Provisional National Assembly (PNA) by the filing date of midnight 30 June. The central election council set up to oversee the senate elections will begin examining dossiers of the candidates on 8 July. It is possible that several of the lists will be withdrawn or will be eliminated after review by the election council.

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14. At its session on 4 July the PNA fixed the minimum membership of the lower house at 121 deputies. As in the 1966 elections, each province and autonomous city will constitute a single constituency, with the exceptions of Saigon--which will be divided into three electoral districts--and Gia Dinh Province--which will have two. Some districts will have more than one seat, depending on their population, and any constituency in which the number of registered voters has increased by more than 25,000 since the 1966 elections will have an additional seat.

Government Moves Against "Peace" Candidate

15. The government apparently has laid the groundwork for the disqualification of Au Truong Thanh, the self-styled "peace" candidate in the presidential election. A formal complaint was filed against Thanh on 6 July by a National Assembly deputy closely associated with the ruling Directorate. The complaint, which was given substantial publicity in Saigon this weekend, alleges that Thanh has a long history of association with pro-Communist activities. It charges that Thanh's tenure as minister for national economy was spent implementing

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"Marxist-Leninist" policies in an effort to sabotage the nation's economy, and calls for his disqualification under the provision of the election law that disallows the candidacy of anyone who "directly or indirectly...worked in the interest of Communism."

16. The government also moved to discredit Thanh by linking his name to the recent arrest of allegedly pro - Viet Cong intellectuals in Saigon. The arrest of the intellectuals, who apparently were associated with the Intellectual Proselytising Section (IPS) of the Saigon Communist organization, was announced by the police at a press conference on 7 July. A police spokesman asserted that Thanh and several other well-known politicians would have to answer for their roles in the IPS.

17. A number of Thanh's former associates are now taking pains to disassociate themselves from him, and there is a widespread sentiment in the National Assembly and among the military that Thanh has gone too far in pushing his "peace at any price" line. The US Embassy believes that the government's campaign against Thanh is also meant as a warning to other presidential and assembly candidates that discussion of the peace issue must be kept within acceptable limits.

II. REVOLUTIONARY DEVELOPMENT

The Government of Vietnam since the beginning of 1967 has distributed more than 70,000 permanent land titles to farmers. This activity in combination with other GVN-sponsored land reform projects is in part calculated to reap immediate short-term political advantages as well as longer range economic benefits. Revolutionary Development cadre efforts continue to meet with varying degrees of success in several widely scattered parts of the country. The resettlement of some 7,000 persons currently underway in Pleiku Province is now 80 percent complete. The newly settled areas are, however, already showing signs of Communist penetration. In Saigon, a pilot program of free medical service for the needy was scheduled to begin last month and it is hoped to expand it into the provinces during July.

Land Reform

1. US officials in Saigon have reported that the Government of Vietnam (GVN) has distributed more than 70,000 permanent land titles since 1 January 1967. These permanent titles replace temporary land-ownership certificates issued during the Diem regime and have been issued by the GVN to farmers cultivating former French lands and lands seized in 1956 under Ordinance 57. Permanent land titles have reportedly been issued in cases where full payments for the land have not yet been made to the government. The title holders are, however, still liable for the payments due.

2. Two recent decrees are concerned with restructuring the land tenure system. One, a decree of 19 May, clarifies the status and policies of the government relating to lands distributed to people

by the Viet Cong but which since have come under government control. The second forbids either landlords or government officials from using the Vietnamese military to collect back rents on these lands. In most cases the collection of back rents on the redistributed lands has been suspended by the government.

3. Major problems and inequities which continue to plague the rural areas include: the violation of tenant-landlord contracts and terms of tenure relationships; a biased or inadequate village administrative authority to cope with land disputes; excessive landlord influence on village affairs; and the problems caused by the Communist land distribution and taxation systems.

4. The basic legislation for the redistribution of land in Vietnam--Ordinance 57--was written in 1956. This legislation limited riceland holdings to 247 acres per landlord and an additional 37 acres was allotted for burial purposes. Provisions were made in the legislation to provide payments to landlords for land expropriated under these laws. Of the approximately 772,000 acres seized under Ordinance 57, 615,000 acres were redistributed. Much of the remainder of the land is in insecure areas and no actions have been taken concerning this land.

5. Land reform projects currently sponsored by the GVN are directed toward the redistribution of land and rent controls in order to achieve an immediate political return and some long-term economic benefits. By giving the farmer a firm, permanent title, the government hopes to induce him to invest labor and capital in the land in order to raise production above a marginal level and create an agricultural surplus.

6. One of the programs to strengthen land tenure is being tested in the An Giang (Province) Priority Area. In this area, aerial photos are being taken of the entire province and maps of land holdings are being made from them. This method offers speed, accuracy, and security since little work needs

to be done on the ground. A title produced by this process contains a description of the land and a photo of it, and since the titles are easily reproducible, copies may be given the owner as well as filed centrally. This program has suffered from technical problems, however, and 70 percent of the aerial coverage done thus far must be reflight.

7. Although accurate statistics on rural affairs are not available, USAID has made the following estimate of the percentage of farmers by tenure:

<u>Tenure</u>	<u>Southern provinces(%)</u>	<u>Central low-land provinces(%)</u>
Owner-operators only	23	29
Operators with only rented land	47	11
Operators with both owned and rented land	30	60

Revolutionary Development Cadre Highlights

8. In an attempt to eliminate corruption found in his area of operations, the leader of an RD team in Chau Doc Province provided provincial authorities information on the illicit activities of the chief of the village in which his team was operating. The village chief had been using the local Popular Forces, to terrorize the local residents, collect illegal taxes, and unlawfully seize private property.

9. In an effort to stop the RD team's investigation of these activities, the village chief had gone so far as to have two of the villagers who had been cooperating with the team killed. Provincial authorities had been reluctant to take any actions against the offender but--when faced with evidence of the murders and with the threat of the resignation of the RD team leader--finally jailed the village chief on murder charge. The team leader is continuing to investigate the villagers' charges of corruption against colleagues of the village chief

who are still in office. The province chief--although commending the RD team leader for his actions--has warned him of "danger to his personal security."

10. In Binh Dinh Province on 14 June two RD teams--recent graduates of the National Training Center--moved into two hamlets in the southern part of the province where the Communists in 1964 had forced the majority of the local residents to leave. The arrival of the RD teams was soon followed by the return of approximately 1,200 former inhabitants of the area. In addition, an estimated 600 residents from nearby hamlets have temporarily resettled in the two hamlets for security and have indicated that they will return to their native residences when RD teams are available to help them reestablish their hamlets.

11. Elsewhere in this province, an RD team operating in Phu Cat District enlisted the support of the US engineer battalion to blast rock needed to build a dam being constructed under the self-help program. When the US unit first arrived they had to do all the work themselves; soon, however, the villagers and RD cadre had taken over the manual labor while the engineers provided only technical guidance. This joint venture reportedly has generated more cordial relations between villagers, RD personnel, and US troops in the area.

12. In Vinh Binh Province four RD teams have been working in what were Communist-controlled areas of Cang Long District since February 1967. At the end of May the teams began to discern signs that they had finally begun to overcome the people's apathy and distrust. The teams have been able to stimulate the people to commit themselves to working on a variety of programs designed to improve hamlet life and have enrolled large numbers of the children in government schools. In adjacent Tien Can District, RD teams have helped newly resettled families--who in the early part of the year had left areas under enemy control--to build approximately 400 new homes for themselves.

13. In Phuoc Tuy Province, the Provincial Intelligence Officer--using intelligence furnished by an RD team operating in one of the villages--apprehended 17 members of that village's chapter of the "Liberation Women's Association." The suspects have been sent to the Provincial Interrogation Center.

14. In Khanh Hoa Province the RD Control Committee has initiated a series of broadcasts from the Nha Trang radio station stressing the importance of RD work in the province and citing examples of the people's participation in RD efforts. This is one of the first reported instances of a provincial control committee taking advantage of the local radio station to promote its RD effort. Similar promotional work needs to be done by Vietnamese officials throughout the country in order to explain the goals and achievements of the RD program to the local populace.

Refugees

15. The Edap Enang highlander resettlement project in Pleiku Province which has as its goal the resettlement of approximately 7,000 people is now approximately 80 percent complete. When the project is completed, approximately 1,200 families will have been moved from the Pleiku-Cambodia border areas and resettled along Highway 19 east and south of the city of Pleiku. The movement of the people is the responsibility of the US 4th Infantry Division, with Civil Operations and Revolutionary Development Support (CORDS) and the GVN's Special Commission for Refugees (SCR) providing the personnel and resources to assist the montagnards in resettling. The security of the resettlement area is being maintained by a Vietnamese Ranger battalion, two Regional Force companies, and two Popular Force platoons.

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16. As of the middle of June over 5,600 people--residents of 44 of the 51 hamlets scheduled for resettlement--were evacuated from their previous residences with the majority of the people electing to relocate in the new areas. Within the resettlement areas construction has been completed on 439 new homes while 782 are still being built. There are indications, however, of Communist penetration of the resettlement area. On at least four occasions in May large numbers of highlanders were cajoled or pressured into abandoning the resettlement area by Communist cadre. One of the prevalent propaganda themes of the Communists is to circulate among the highlanders rumors that the US forces do not have enough rice to feed them and that all US forces will soon be leaving Pleiku Province.

17. In Phu Yen Province work has begun on approximately 1,163 self-help homes for refugees. The SCR has announced that it will pay a second resettlement allowance to previously resettled refugees who are constructing new homes for themselves and, in addition, the SCR will provide these people with seed and farm land. The progress made so far in 1967 in the Phu Yen refugee program is encouraging; in 1966 provincial activities were catagorized by US advisors as "stagnant."

"New Life Development" Activities

18. The Vietnamese Mutual Assistance Association, a voluntary organization, in cooperation with the Ministry of Social Welfare is making plans to provide free medical check-ups and treatment to the needy. Approximately 300 civilian and military physicians have volunteered to participate, and pharmaceutical companies in Saigon have agreed to contribute drugs valued at over 500,000 piastres. The program was scheduled to begin in Saigon at the end of June and expand into the provinces during July. Needy persons seeking medical assistance under this new program have to contact their provincial social welfare center to obtain examination tickets.

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III. ECONOMIC SITUATION

After having shown a slight decline each week since 29 May, the retail price index for Saigon was unchanged during the week ending 26 June. Currency and gold prices were mixed on 26 June. The rice situation in Vietnam continues to improve. According to an agreement signed by the GVN and USAID on 29 June, Saigon electric power generation and distribution facilities will be doubled during the next four years.

Prices

1. After having shown a slight decline each week since 29 May, the sampling of Saigon prices on 26 June used in the USAID retail price index showed no change from the previous week. The price of the grade of rice consumed by the working class has held steady since 12 June at 24 paisters per kilogram. During the week ending 26 June pork and chicken prices fell, but the price of fish increased 12 percent. Prices of charcoal, firewood, and calico declined slightly, while prices for all other nonfood items were unchanged. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Wholesale prices for selected US-financed imported goods fell about seven percent during the week ending 27 June, bringing the price index for imported goods to its lowest level since December 1966. The sharp decline was largely the result of much lower prices for galvanized iron sheets, new stocks of which were released to dealers by the GVN thereby alleviating a shortage which has existed for several months. Fertilizer prices continued to fall and the prices of all types used in the index are now down to the new official levels.

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Currency and Gold

3. Currency and gold prices were mixed on 26 June. The price of dollars and MPC (scrip) each rose two piasters above the level of 19 June to 158 and 113 piasters per dollar, respectively. The price of gold, on the other hand, fell two piasters to 195 paisters per dollar. (A graph on weekly and monthly currency and gold rates is included in the Annex.)

Rice Deliveries and Stocks

4. According to the latest statistics prepared by the US Mission in Saigon, the rice situation in Vietnam continues to improve. Despite a low level of deliveries from the delta, stocks are rising rapidly because of the arrival of imported rice. Deliveries of rice from the delta to Saigon (see graph included in the Annex) amounted to only 125,600 metric tons during the first five months of this year compared with 164,000 tons and 225,600 tons during the corresponding periods of 1966 and 1965, respectively. It is estimated that total deliveries during 1967 will amount to about 233,000 metric tons, or 28 percent below deliveries in 1966. Imported rice, however, has been arriving in ample quantities. During January-May imports totaled 374,964 metric tons, of which 27,862 tons came from Thailand, 21,250 tons from Taiwan, and the remainder from the US. As a result of the high level of imports, stocks of rice held by the GVN in Saigon and the rice-deficit provinces and stocks held by private dealers in Saigon amounted to 161,742 metric tons at the end of May compared with 36,199 tons at the end of February.

Saigon Electric Power Facilities

5. According to an agreement signed by the GVN and USAID on 29 June, Saigon electric power generation and distribution facilities will be doubled during the next four years. USAID will grant \$32 million and the GVN will contribute about one fourth of that amount for the procurement and

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installation of two 66,000-kilowatt generators. In return for the USAID grant, the GVN has agreed to carry out US recommendations to establish a new, independent and self-supporting public power company, which will operate the new plant as well as the facilities now run by a French-owned company whose franchise expires at the end of this year. The new company, which will absorb all other public electric facilities in the Saigon area, presumably will be managed by US experts until Vietnamese personnel can be trained to take over. Design engineering on the new project is to begin by 1 October and facilities are to be completed in 1971. Officials believe that the new facilities will provide sufficient power for industries and homes constructed during the next four years and expect that consumer rates can be reduced by the time the installation is completed.

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TABLE

Weekly Retail Prices in Saigon a/

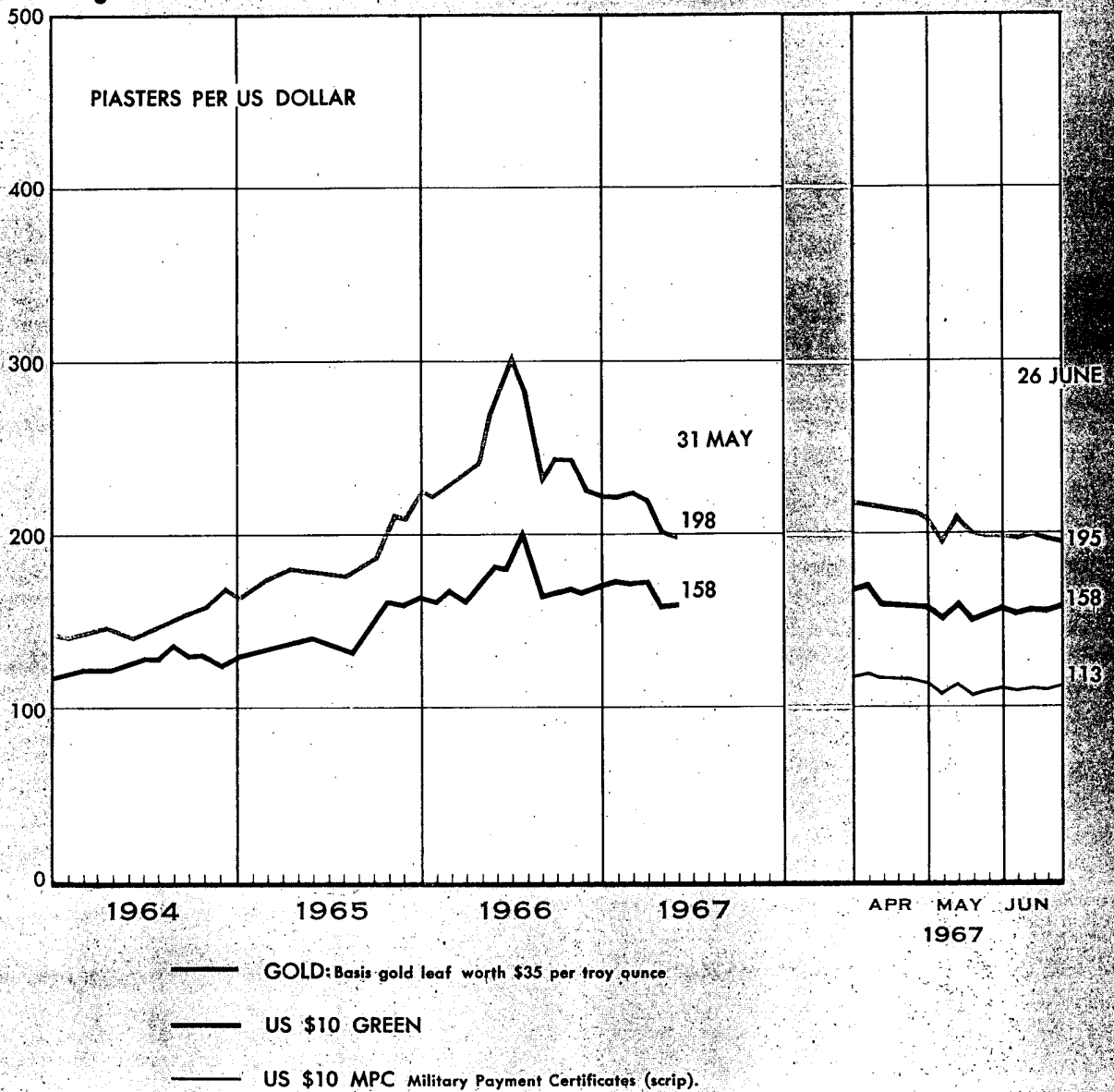
	13 June 1966 <u>b/</u>	3 Jan. 1967	5 June 1967	12 June 1967	19 June 1967	26 June 1967
Index for All Items	<u>173</u>	<u>225</u>	<u>271</u>	<u>269</u>	<u>267</u>	<u>267</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>300</u>	<u>295</u>	<u>293</u>	<u>294</u> <u>c/</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,550	2,400	2,400	2,400
Pork Bellies (1 kg.)	90	130	150	160	170	150
Fish-Ca Tre (1 kg.)	130	150	160	160	160	180
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>217</u>	<u>221</u>	<u>219</u>	<u>217</u> <u>c/</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	550	600	550	540
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	32	32	34	33
Kerosene (liter)	7.8	10.5	10	10	10	10

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

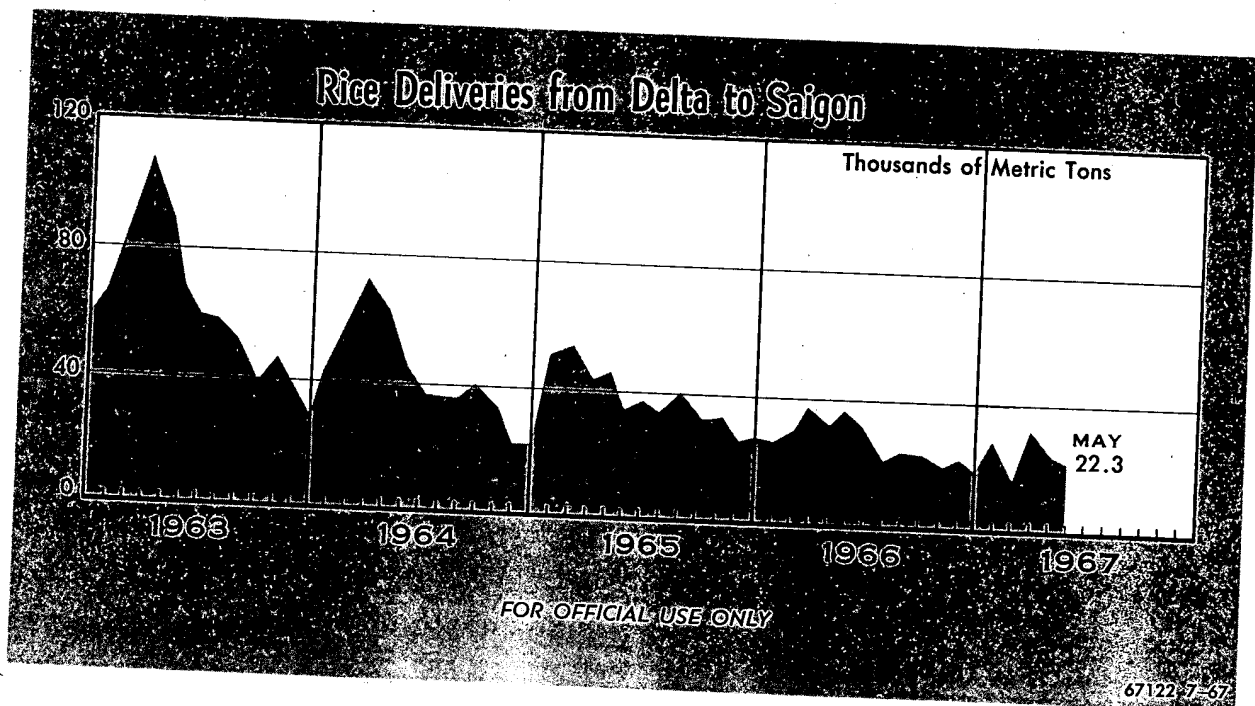
b. Price level just prior to the 18 June devaluation.

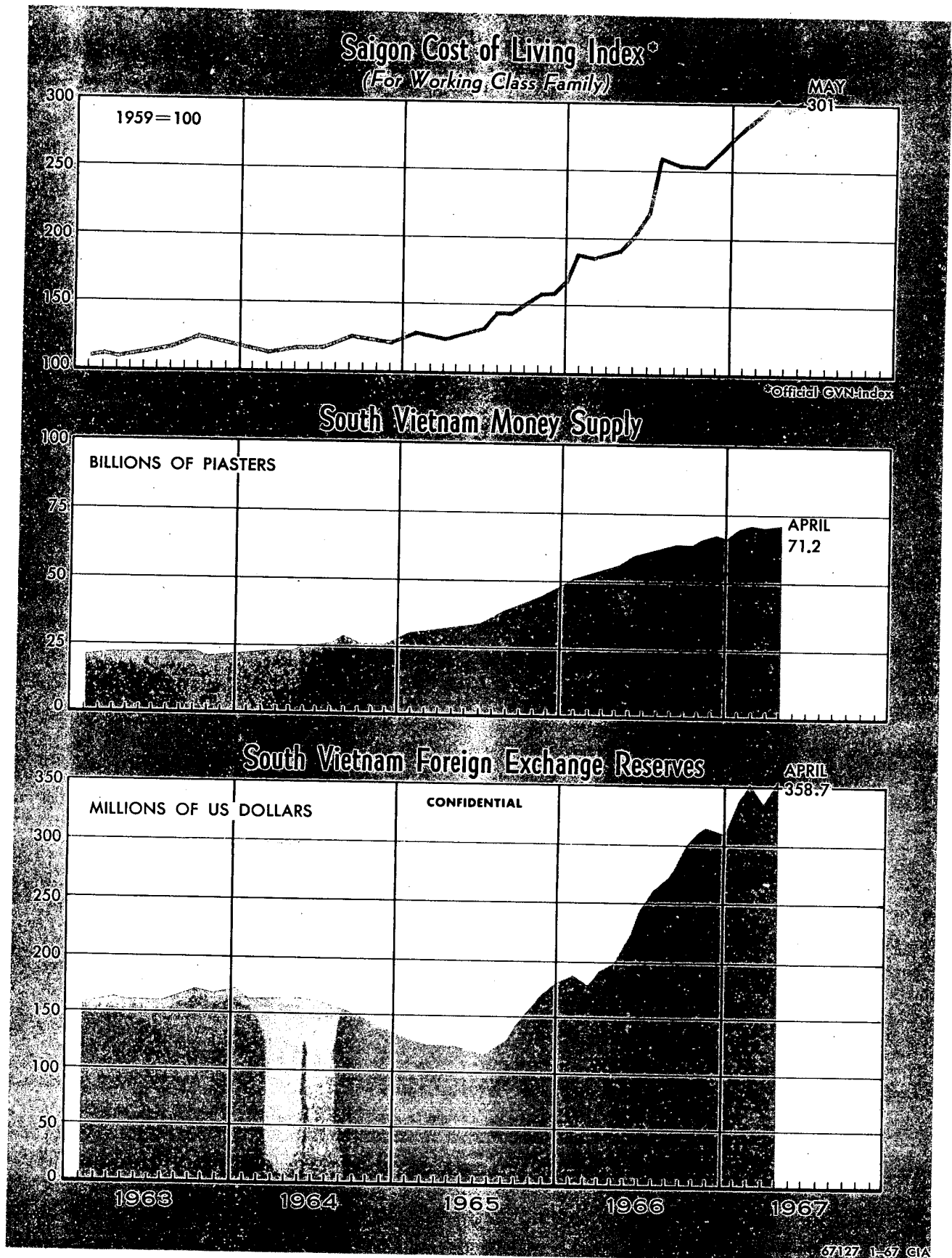
c. Preliminary.

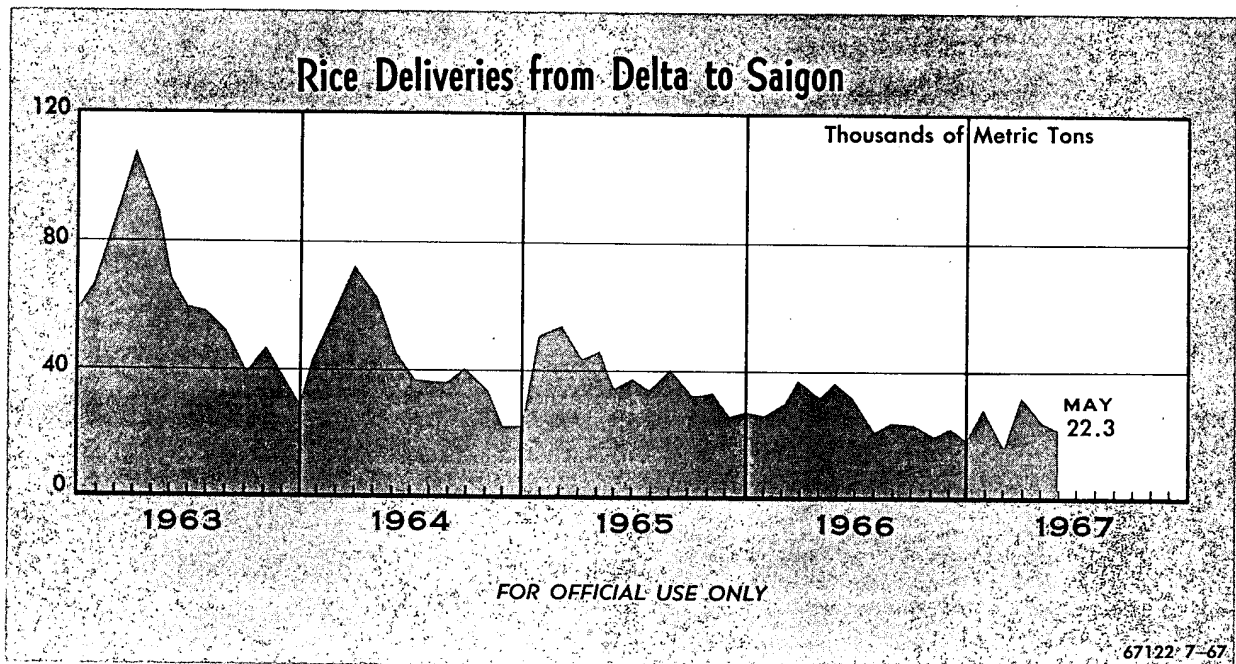
Saigon Free Market Gold and Currency Prices



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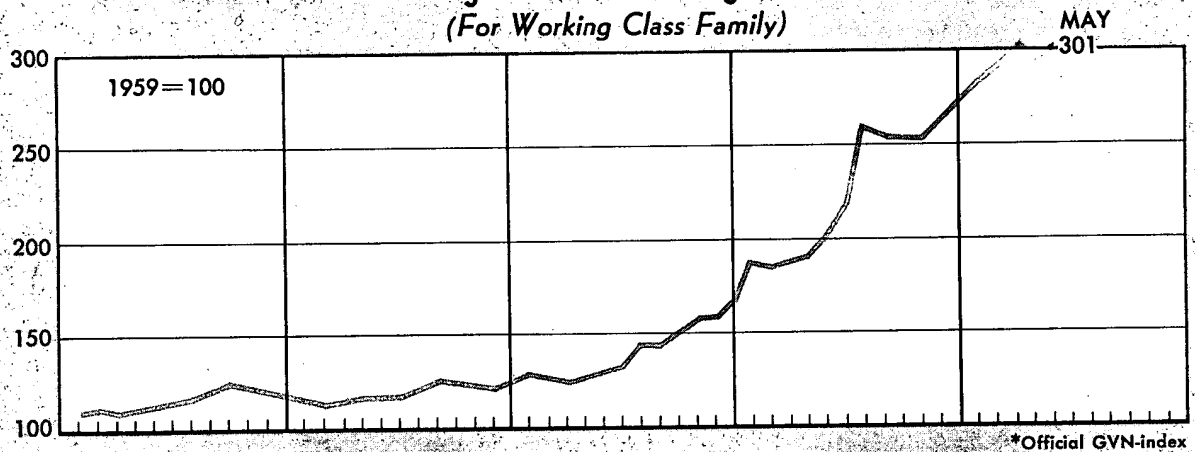




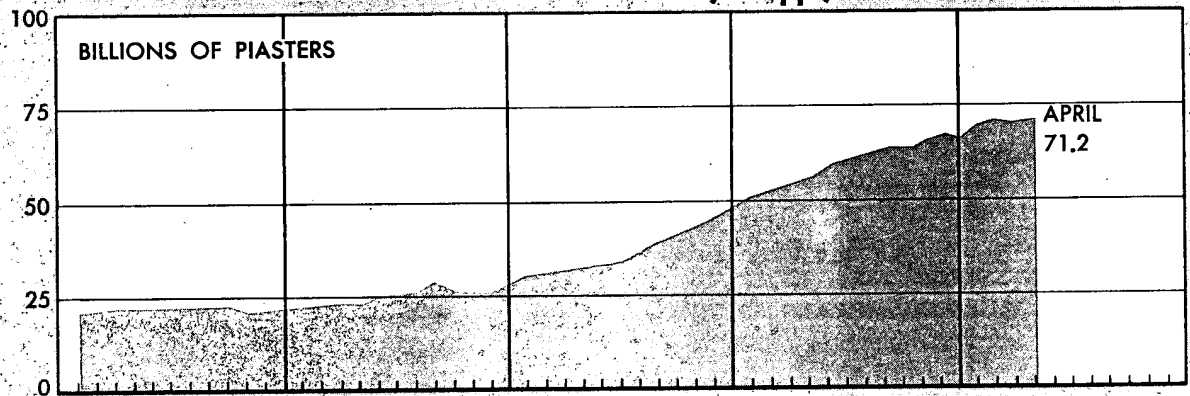


Saigon Cost of Living Index*

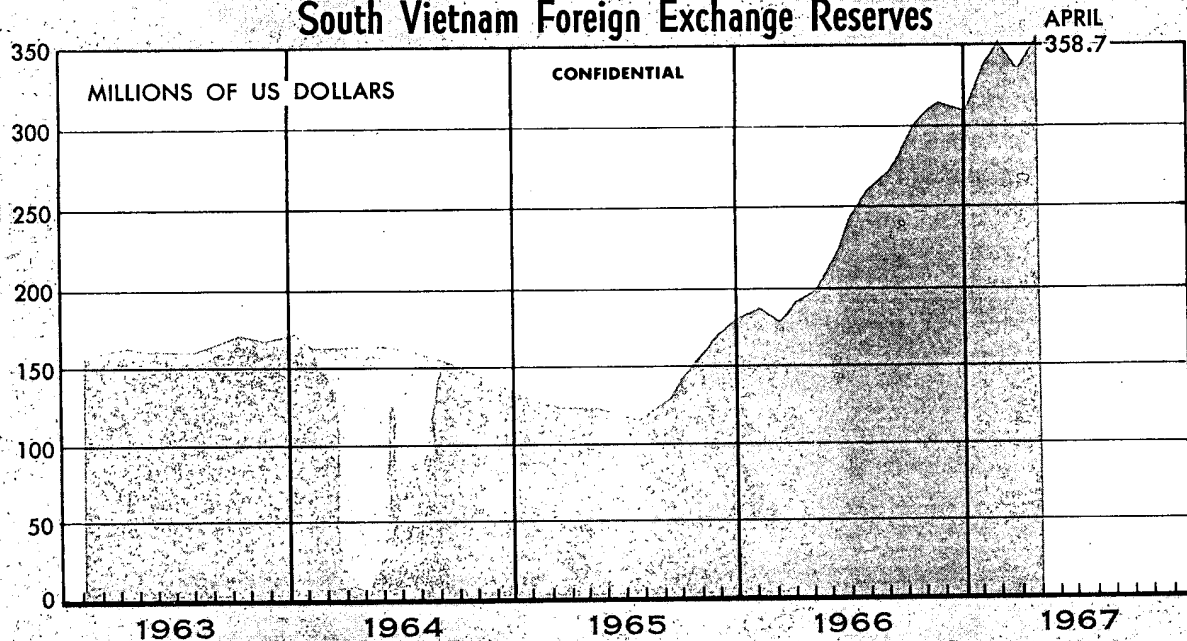
(For Working Class Family)



South Vietnam Money Supply



South Vietnam Foreign Exchange Reserves



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